Bermaz Auto (BAUTO MK)

1QFY26: Results Below Expectations; Earnings Dragged by Associate Losses

SELL (Maintained)	
Share Price	RM0.68
Target Price	RM0.55
Upside	-19.1%
(Previous TP	*RM0.64*

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Highlights

- **1Q26 results came in below expectations** due to higher-than-expected losses from its associates.
- **Newly launched models are expected** to support the upcoming sales volume; however, heightened competition from Chinese brands poses challenges to BAUTO's market share.
- **We trim our FY26 forecast by 14%.** Maintain SELL with a lower target price of RM0.55.

1QFY26 Results

Year to 30 Apr (RMm)	1QFY26	qoq % chg	yoy % chg	Comments
Revenue	491.3	-7.1	-41.9	Declined due to lower sales volume.
- Malaysia	425.0	-9.3	-44.1	
- Philippines	66.2	4.6	-27.4	
EBIT	28.8	-18.7	-67.0	
- Malaysia	22.1	-21.9	-68.1	
- Philippines	7.2	-13.4	-60.7	
Associates	(9.3)	>-100	>-100	Losses from Inokom and Kia following lower vehicle sales.
PBT	18.9	-45.3	-80.6	
Core PATMI	8.3	-60.9	-88.2	Below expectations, mainly dragged by associates' losses.
Cars sold (units)	2,638	-11.1	-48.4	
- Malaysia	2,174	-13.7	-52.3	
- Philippines	464	2.9	-17.4	
Margins	%	+/-ppt	+/-ppt	
EBIT	5.9	-0.8	-4.5	
Core Net Profit	1.7	-2.3	-6.6	

Source: Bermaz Auto, Bloomberg, UOB Kay Hian

Analysis

- **Below expectations**. Bermaz Auto (BAUTO) reported 1QFY26 PATMI of RM8.3m (-61% qoq, -88% yoy), accounting for only 8% of our and 6% of consensus FY26 forecasts. The key deviation was primarily due to higher-than-expected losses from its associates, despite revenue and EBIT being largely in line with our estimates.

Key Financials

Year to 30 Apr (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	3,911	2,622	1,918	1,745	1,693
EBITDA	473	249	152	158	153
Operating profit	446	222	122	125	117
Net profit (rep./act.)	356	163	87	98	98
Net profit (adj.)	356	163	87	98	98
EPS (sen)	30.6	14.0	7.5	8.4	8.4
PE (x)	2.5	5.4	9.1	8.9	9.0
P/B (x)	1.1	1.3	1.1	1.2	1.1
EV/EBITDA (x)	1.4	3.0	3.1	3.1	2.9
Dividend yield (%)	34.4	22.2	6.6	6.7	6.7
Net margin (%)	9.1	6.2	4.5	5.6	5.8
Net debt/(cash) to equity (%)	-37.1	-31.7	-59.0	-65.0	-68.9
Interest cover (x)	n.a.	n.a.	50.8	52.7	51.0
ROE (%)	45.1	23.0	11.9	13.1	12.7
Consensus net profit	-	-	134	140	149
UOBKH/Consensus (x)	-	-	0.65	0.70	0.66

Source: Bermaz Auto, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Consumer Discretionary
Bloomberg ticker:	BAUTO MK
Shares issued (m):	1,168
Market Cap (RMm):	809
Market Cap (US$m)	192
3-mth avg turnover (US$m)	0.8

Price Performance (%)

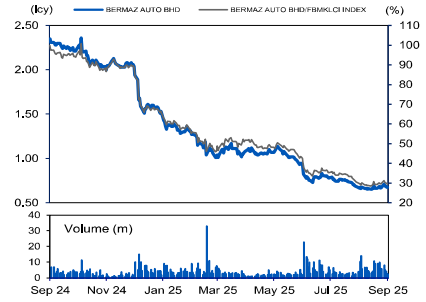
52-week high/low: RM2.36/RM0.65

1mth	3mth	6mth	1yr	YTD
1.5	(27.5)	(32.2)	(70.0)	(57.2)

Major Shareholders

	%
Dynamic Milestone Sdn Bhd	15.37
Employees Provident Fund Board	11.66
Permodalan Nasional Berhad	8.4

Price Chart



Source: Bloomberg

Company Description

Bermaz Auto is involved in the distribution, assembling, retailing and also the provision of after sales service of Mazda vehicles in Malaysia. The group also involved in distribution of locally assembled Mazda vehicles in Malaysia and the Philippines.

- **Associate losses widened.** 1QFY26 associate contribution saw losses of RM9.3m, driven by the lower sales volume from associates, particularly MMSB, Inokom, and Kia, coupled with higher production costs which further increased the losses in 1QFY26.
- **Sales volume continued to decline due to intense competition.** Malaysia sales volume contracted in 1QFY26 (-13.7% qoq, -52% yoy) due to the influx of Chinese automakers which are competing in similar segments while offering a broader product range. Notably, the recently launched XPeng X9 recorded a positive sales growth (+0.63% qoq), which slightly offset the decline in Mazda' sales in this quarter (-14.6% qoq).
- **Outlook to remain challenging despite new launches.** We expect BAUTO's outlook to remain challenging as intense competition from Chinese players is affecting sales. Based on channel checks, the current backlog of orders stands at 3,580 units (Mazda: 3,000 units, Kia: 80 units, XPeng: 250 units, and BAP: 250 units), higher than that of the previous quarter (1,530 units in 4QFY25), as we note that the increased numbers from Mazda are driven by the higher orders for its Mazda3 1.5L and CX-60. Its new run rate has also improved to 1,000 units, supported by these two new models. Considering the heightened competition from Chinese players with aggressive pricing strategy, we maintain our conservative sales target of 10,377 units for FY26 as we believe the sustainability of stronger intake remains uncertain.

Valuation/Recommendation

- **Maintain SELL with a lower target price of RM0.55 (previously RM0.64),** as we ascribe a lower PE of 6.6x (-1.0SD to its five-year historical mean) to our FY27F EPS of 8.4sen. We believe the valuation is fair given the persistent decline in the group's sales volume coupled with its deteriorating market share. We will await signs of order sustainability from the new launches and a significant improvement in the sales volume for a potential re-rating to the stock.
- **Declared a first interim dividend of 0.75sen dividend.** We expect BAUTO to maintain its dividend payout given its strong net cash position. Despite its compelling yield of 7%, we believe the downside risk remains significant due to the weakness in the group's financial performance.

Earnings Revision/Risk

- We have trimmed our FY26 forecast by 14% to factor in lower associate contribution while keeping our FY27 estimate largely unchanged given the expected contributions from Mazda's new line-up.

Share Price Catalyst

- Key rating catalysts include: a) higher sales volume from Mazda due to its refreshed line-up and expanded orderbook, b) Kia's sales improvement from a more favourable product mix, c) improvement in its Philippines business operation with better product mix, d) continued localisation of models in the Malaysian market, and e) lush dividend payout and a potential special dividend.

Environmental, Social And Governance (ESG) Updates
• **Environmental**
- BAUTO supports the Republic Act 11285 (Energy Efficiency and Conservation Act), which institutionalises energy efficiency and conservation as a national way of life. - Renewable energy promoted – assessing viability of installing solar energy system in its headquarters and 3S centres.
• **Social**
- Mazda Medicare Fund dialysis programme channelled 100% of funds to charity.
• **Governance**
- Complies with Malaysian code on Corporate Governance which requires independent directors (4 out of 7) to comprise the majority of the board

Key Assumptions

Financial Year	Malaysia (units)	Philippines (units)
2022	13,362	1,304
2023	19,688	1,682
2024	21,192	1,682
2025	13,687	1,779
2026F	10,377	1,606
2027F	9,763	1,591
2028F	9,064	1,578

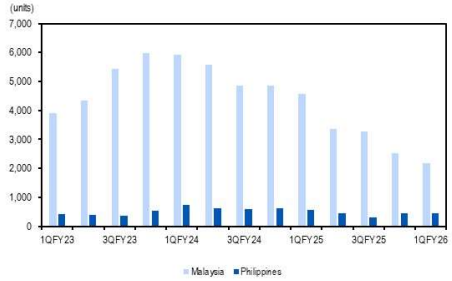
Source: Bermaz Auto, UOB Kay Hian

Upcoming Launches

Model	Date
Deepal S07 EV	3Q25
Deepal S05 EV	4Q25
Deepal E07 EV	4Q25

Source: Bermaz Auto, UOB Kay Hian

Sales Volume By Market



Source: Bermaz Auto, UOB Kay Hian

Profit & Loss

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Net turnover	**2,624**	**1,918**	**1,745**	**1,693**
EBITDA	240	152	88	77
Deprec. & amort.	-27	30	-37	-40
EBIT	213	122	125	117
Associate contributions	14	3	15	15
Net interest income/(expense)	-3	-3	-3	-3
Pre-tax profit	**224**	**123**	**137**	**129**
Tax	-56	-29	-33	-31
Minorities	-11	-6	-6	0
Net profit	**155**	**87**	**98**	**98**
Net profit (adj.)	155	87	98	98

Balance Sheet

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Fixed assets	45	147	202	260
Other LT assets	489	326	287	244
Cash/ST investment	126	698	691	666
Other current assets	1030	394	360	349
Total assets	**1691**	**1818**	**1847**	**1884**
ST debt	225	101	101	101
Other current liabilities	362	329	312	309
LT debt	0	0	0	0
Other LT liabilities	3367	345	345	346
Shareholders' equity	644	932	972	1011
Minority interest	90	111	117	117
Total liabilities & equity	**1691**	**1818**	**1847**	**1884**

Cash Flow

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Operating	**145**	**246**	**74**	**54**
Pre-tax profit	494	123	137	129
Tax	-129	-29	-33	-31
Deprec. & amort.	-27	31	-36	-39
Associates	-45	-3	-15	-15
Working capital changes	-177	123	18	6
Other operating cashflows	28	3	3	3
Investing	**-15**	**-8**	**-8**	**-7**
Capex (growth)	-14	-16	-16	-16
Investments	0	1	1	2
Proceeds from sale of assets	0	0	0	0
Others	-1	7	7	7
Financing	**-361**	**-187**	**-69**	**-69**
Dividend payments	-298	-52	-59	-59
Issue of shares	5	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	-37	-125	0	0
Others/interest paid	-31	-10	-10	-10
Net cash inflow (outflow)	**-232**	**52**	**-3**	**-22**
Beginning cash & cash equivalent	**538**	**434**	**686**	**680**
Changes due to forex impact	59	24	8	9
Ending cash & cash equivalent	**365**	**509**	**691**	**666**

Key Metrics

Year to 30 Apr (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	9.1	7.9	5.1	4.6
Pre-tax margin	8.5	6.4	7.9	7.6
Net margin	5.9	4.5	5.6	5.8
ROA	9.9	5.1	5.4	5.3
ROE	24.2	11.9	11.3	11.0
Growth				
Turnover	-33.2	-26.9	-8.6	-3.0
EBITDA	-42.8	-38.8	-9.0	-12.7
Pre-tax profit	-54.7	-47.0	-4.3	-6.3
Net profit	-56.5	-46.9	-2.6	-0.6
Net profit (adj.)	-56.5	-46.9	-2.6	-0.6
EPS	-56.5	-46.9	-2.6	-0.6
Leverage				
Debt to total capital	10.1	12.8	9.3	9.0
Debt to equity	11.3	14.6	10.4	10.0
Net debt/(cash) to equity	-28.2	-59.0	-60.8	-55.9
Interest cover (x)	17.4	50.8	29.5	25.7

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